

TESTIMONY OF ELAINE C. DUKE U.S. DEPARTMENT OF HOMELAND SECURITY (DHS) DEPUTY UNDER SECRETARY FOR MANAGEMENT BEFORE THE HOUSE COMMITTEE ON HOMELAND SECURITY, SUBCOMMITTEE ON MANAGEMENT, INVESTIGATIONS AND OVERSIGHT

THE FUTURE OF DHS MANAGEMENT

April 9, 2008

Thank you Mr. Chairman, Ranking Member Rogers and members of the Subcommittee. It's a pleasure to appear before you today for the first time as the Deputy Under Secretary for Management (DUSM).

I have been in this position for over five months but have spent most of my twenty-five years of public service in the procurement profession, most recently as the Department's Chief Procurement Officer.

The Deputy Under Secretary for Management position was created as part of the Department's 2009 Administration Transition Planning efforts. By having a senior career civil servant in this capacity, rather than a political appointee, the department can ensure operational continuity during the change in administration. As the current Under Secretary for Management, Mr. Paul Schneider, is currently serving as the Acting Deputy Secretary, my position holds the authorities of the Under Secretary for Management.

Our most significant effort is to continue transforming the Department of Homeland Security (DHS) into a unified force that protects our country. DHS, whose size is that of a Fortune 30, has merged 22 agencies with approximately 208,000 employees. This effort requires the effective and efficient use of financial and human resources, enabling technology, strong processes and

superb management. It is toward this effort that I devote my focus, time, and energy.

Our approach has a common thread through this effort: to ensure that there is a comprehensive and integrated strategy throughout the Components with specific and measurable goals that support the activities and priorities of the Department. On a practical level, we will ensure the success of this effort by having a team that possesses the right knowledge, skills and abilities to support the programs, transform disparate operations, and measure progress against metrics and milestones.

The key elements of our strategy in this effort are to continue:

- Improving acquisition and procurement throughout the Department;
- Strengthening the requirements and investment review processes;
- Acquiring and maintaining human capital;
- Seeking efficiencies across the enterprise in operations and the use of resources:
- Making the key management systems, such as financial and human resources, world class; and
- Acquiring the funding and approval for DHS' consolidation at St. Elizabeths West Campus and the efficient realignment of all Department of Homeland Security off-campus locations.

As the DUSM, I lead the Management Directorate's efforts through a well-focused, well-developed strategy that:

- Provides structure to strengthen unified organizational governance and enhance department-wide communication, decision making and oversight;
- Optimizes processes and systems to integrate functional operations and facilitates cross-Component synergies and streamlines coordination to ensure reliable and efficient support of mission objectives;
- Fosters leadership that adheres to the core values and guiding principles of DHS in performing duties, effecting progress and leading with commitment for the mission; and
- Leverages culture and the benefits of commonalities and differences across Components to promote cooperative intra and inter-agency networks and implement best practices.

The top priorities, which are essential elements to achieving the DHS mission and practicing sound stewardship of taxpayers' money are:

- First: Prepare for the Department's 2009 administration transition;
- Second: Improve acquisition and procurement; and
- Third: Strengthen the requirements process and integrate it into the Planning, Programming, Budgeting, and Execution (PPBE) system.

My goal on transition is to focus on three areas: Internal Processes, Knowledge Management, and Training and Exercises. The Internal Processes initiative will review our Directives for sufficiency, strengthen records management, ensure proper succession planning, and improve our processes for incoming and exiting employees. The Knowledge Management initiative will produce briefing materials, but more importantly, it will convey to career executives and incoming appointees the requisite knowledge to keep the Department running during the Transition. The Training and Exercises initiative focuses on training conferences, briefings and exercises in order to prepare identified senior level career personnel within each Component who are expected to serve in an acting capacity upon the departures of the appointees. It is critical that these acting personnel are prepared to be informed decision makers in the event of a serious incident arising, whether man-made or natural. This initiative also facilitates direct interactions among Federal, State, local and tribal officials with homeland security responsibilities.

The Department of Homeland Security is in the midst of many crucial acquisitions that are vital to its success. That is why the Chief Procurement Officer and I are working to strengthen acquisition and procurement by institutionalizing solid processes. To this end we are:

- Strengthening the requirements and investment review processes by improving the joint requirements council and Investment Review Board (IRB) process. We are preparing to initiate a new Department-wide requirements process and have reinvigorated our investment review process;
- Reviewing the major programs and investments to ensure that the requirements are clear, cost estimates are valid, technology risks are properly assessed, schedules are realistic, contract vehicles are proper, and the efforts are well managed. We have held one formal IRB with Acting Deputy Secretary Schneider and are projecting to hold one per month. We are also beginning the processes to conduct paper IRBs and IRBs with the DUSM, as well as establishing Acquisition Program Baselines (APBs) and authorizing execution to the APB for all Level 1 and 2 programs;
- Building the capability to manage complex efforts by ensuring that program offices are properly structured and staffed with the right people and skills to ensure efficient and effective program management and oversight;
- Aggressively hire where we have known shortages; and
- Examining best practice metrics in use by other departments with the intent to start implementation this year.

My focus is to continue transforming the Office of Chief Procurement Officer (OCPO) into an Acquisition Office. Often, the terms Procurement and Acquisition

are incorrectly used interchangeably. Procurement is only one element of acquisition management, whereas acquisition expands beyond the "purchase" of an item or service to include other important aspects, such as understanding operational and life-cycle requirements, formulating concepts of operations, developing sound business strategies, exercising prudent financial management, assessing trade-offs, and managing program risks. Best practice acquisition management is executed by teams of professionals who understand and are able to manage the entire life-cycle of a major program effort. We are making progress towards this goal.

The Acquisition Program Management Division (APMD) of OCPO began operations in August 2007. The division was established to provide oversight and support for acquisition programs. To date, APMD has performed Quick Look assessments of 37 Level 1 programs and has overseen Deep Dive reviews of the SBInet and Advance Spectroscopic Portal (ASP) programs. APMD has provided advice and guidance to a number of programs, particularly in the area of cost benefit analysis. Currently, the APMD team is focused on an aggressive Investment & Acquisition process re-engineering effort. The effort includes replacing Directive 1400, establishing revised investment and acquisition decision procedures, as well as processes for acquisition program baselining, periodic reporting, acquisition of services, and other initiatives as they are identified.

DHS' \$17 billion procurement spend plan provides for the development, fielding and support of significant homeland security capabilities. For example, US Coast Guard contracts are providing aircraft and ships from the Integrated Deepwater System and search and rescue capability from the Rescue 21 program. Transportation Security Administration (TSA) contracts are providing additional capabilities via the Electronic Baggage Screening Program. Consistent with the SBI Strategy, U.S. Customs and Border Protection (CBP) is developing and fielding the capabilities at and between our Nation's ports of entry to gain effective control of our borders. The Domestic Nuclear Detection Office is developing and testing a new type of radiation portal monitor, known as the Advanced Spectroscopic Portal, to improve the Nation's defense against the threat of nuclear smuggling.

Obtaining qualified acquisition professionals at the right time with the right skill-set continues to be a challenge for the Department. Competition for these professionals is intense within the Washington, D.C. area. To resolve our personnel shortages, we are intensifying our human capital planning efforts to minimize skill and competency gaps as well as minimize our critical vacancies and reliance on contractors. For example, in response to the Office of Management and Budget (OMB)1102 Contracting Workforce Competency Gap Survey, we developed a training plan that spans the next three years. This training plan targets the contracting functional area within the DHS Acquisition Workforce, but it will also benefit other acquisition career fields including program

management and Contracting Officer's Technical Representatives. We are also currently conducting staffing studies to better define our acquisition workforce needs. Currently our workforce includes program managers and contract specialists. As part of our human capital planning efforts, we will be identifying other required acquisition career fields such as test and evaluation, systems engineering, logistics, and cost estimating. We are aggressively working to ensure that each acquisition position, upon definition, is encumbered by an acquisition professional trained and certified at the appropriate level. To this end, we are continuously reviewing and updating our Acquisition Training Program, the underpinning of a good certification program. We are utilizing the Defense Acquisition Workforce Improvement Act framework to develop DHS certification standards. We have also centralized a number of recruiting activities including issuing Department-wide vacancy announcements. Our centralized recruitment efforts to date have focused primarily on contracting professionals. Expansion to other acquisition career fields will occur as each series is defined and Department-wide needs are identified. This initiative supplements our Components' on-going recruitment efforts with a goal of recruiting the best candidates available.

Our most substantial recruitment activity began in 2005 with the establishment of a DHS Acquisition Fellows Program. The goal of the Fellows Program was to attract new talent at the entry level into our acquisition positions, and retain and train them through a professional career development program. The Office of Procurement Operations (OPO) and the TSA participated in this program and this coming June, a diverse class of 13 Fellows from TSA and seven Fellows from OPO will be graduating.

Building on the success of the Acquisition Fellows Program, we expanded it into the Acquisition Professional Career Program and modeled it to further resemble the highly successful Department of Defense program. This year we plan to expand the program to support 33 additional intern positions. In Fiscal Year (FY) 2009 we are planning for a total of 100 intern positions to be funded. Our inaugural Acquisition Professional Career Program class began in January 2008 and a second class will begin in June 2008. Our goal is to grow this program to 300 positions by FY 2011 to fill critical acquisition positions.

A final point that I would like to make regarding the Department's acquisition and procurement practices is that DHS has exceeded both the Administration's goal and the Department's elevated goal of 30 percent for small business prime contracts. According to our preliminary assessment, I am happy to report that in FY 2007, approximately 33 percent of the procurement dollars went to small business prime contractors. Of that 33 percent, about 11.5 percent was awarded to small, minority-owned businesses. These preliminary statistics include TSA, which formally began adherence to the Small Business Act on October 1, 2006 and is transitioning to the Federal Acquisition Regulation for its solicitations issued June 23, 2008 or later. We are proud of these numbers and consider

them to be evident of our commitment to support small businesses, and to demonstrate our awareness of the role that small businesses play in supporting our Nation's ability to prepare for and respond to terrorist attacks and natural disasters.

Having just shared the top priorities, I would like now to discuss the key elements of Management's strategy to continue transforming the Department into a unified force.

Human Capital

Human Capital has developed a results-oriented strategic human capital plan and is aggressively building a world-class organization by hiring and retaining a talented and diverse workforce. Our operational plan identifies specific activities with milestones for integrating workforce planning in human capital operations, improving DHS-wide hiring and retention practices, and leveraging our partnership with the DHS Civil Rights and Civil Liberties Office to continually increase diversity across DHS.

We are improving our hiring processes by educating our hiring managers and human resource officials on the flexibilities that are currently available as well as implementing an enterprise E-recruitment system.

This new system replaces 20 hiring systems previously used across the Department and consists of three modules: Staffing Acquisition, On-Boarding and Advanced Reporting/Analytics. We plan to deploy this automated, end-to-end hiring system in phases, by module across the Department by January 2011. This system:

- Covers the Federal hiring process and rules from workforce planning to placing a new hire at his or her fully-equipped work-station;
- Includes a configurable workflow providing visibility across all key touchpoints of the hiring work stream to managers, human resources and candidates; and
- Streamlines an array of administrative processes associated with hiring, assisting DHS in its ability to hire quality candidates more quickly; manage hiring activity and workforce trends; and provide integrated data for reporting especially in the Equal Employment Opportunity (EEO) arena.

We are well on our way to achieving our hiring targets in our frontline mission critical occupations as well. At Immigration and Customs Enforcement (ICE), we have already filled over 908 positions this fiscal year. Of those, 598 are key front line occupations, and we expect to exceed our hiring goal of 1,096 additional new hires in key occupations this year. The Federal Emergency Management Agency reached a 95+ percent staffing level for the first time at the end of

FY 2007, and is implementing a plan to reach that level again in FY 2008 despite significant increases in approved staffing levels. We plan to have 17,819 Border Patrol Agents on board by the end of FY 2008, 18,319 by the end of calendar year 2008, and over 20,000 by the end of FY 2009. Furthermore, CBP, in partnership with the Federal Law Enforcement Training Center (FLETC), has developed a plan within the current budget to train all of the new agents in basic academy and Spanish language training at the Border Patrol Academy in Artesia, New Mexico.

By reflecting America's diversity, our employee workforce will provide the widest range of solutions, ideas, and decisions to protect America. We are committed to achieving a diverse DHS workforce, including our executive cadre. Nearly one-fifth (19.4 percent) of the Department's employees are Hispanic, and 14.6 percent are African-American. Women compose nearly one-third of our workforce at 32.3 percent. Among our executive cadre, 45 percent of U.S. Citizenship and Immigration Service (USCIS) executives are women; nearly 10 percent of TSA's executives are African-American; and 14 percent of executives at ICE are Hispanic, as are 12 percent at CBP.

For example, we have established a formal partnership with the Urban League's Black Executive Exchange Program (BEEP). With managerial support, 150 DHS employees volunteered to represent DHS at BEEP sponsored events at Historically Black Colleges and Universities. We are also pursuing similar partnerships with the National Association of Hispanic Federal Executives, African American Federal Executive Association, and the Hispanic Scholarship Fund Institute.

In addition, we plan to expand upon our robust and innovative Veterans Outreach program launched last year, which included creation of a one-stop web page for veterans seeking to continue their service to America by working for DHS, establishment of a Veterans Outreach forum of external stakeholders to advise us on our Veterans Outreach initiatives, and delivery of refresher training on Veterans Preference programs for Human Resource and EEO specialists throughout the Department. This year, we plan to establish a DHS Veterans Speakers Cadre composed of DHS employees who are veterans to address Veterans groups. Nearly one quarter (24.2 percent) of the DHS workforce are veterans, including 28.4 percent of our managers and supervisors. In 2007, DHS hired 6,013 veterans, nearly double the number hired in 2006 (3,015). DHS currently employs approximately 6,400 disabled veterans.

Both Secretary Chertoff and former Secretary Ridge have led a focused initiative to ensure that people with disabilities, including veterans who have been wounded serving our country overseas, are offered equal employment opportunities.

DHS was among the first Federal agencies to participate in the Department of Defense's Operation Warfighter Program. DHS representatives regularly visit Walter Reed Army Medical Center and have provided temporary assignments to over 40 wounded soldiers and permanent assignments to nine.

DHS also participates in the Workforce Recruitment Program and other intern programs specifically targeting individuals with disabilities. Many of these interns have been offered full time positions upon completion of their internship. We have also recently deployed a new training program "Employment of People with Disabilities: A Roadmap to Success." It describes the Department's initiatives and identifies the tools to make hiring of individuals with disabilities easier for managers.

Since the establishment of the American Association of People with Disabilities IT summer intern program, DHS has been one of the biggest supporters and users. DHS normally hires two of the 10 available Government-wide summer interns, and has made two permanent hires from this group.

Although we have achieved a well-balanced workforce, we must do better in ensuring that our leadership ranks reflect the Nation's diversity. In particular, the Secretary, Acting Deputy Secretary, and I are committed to ensuring that the talent pool for Senior Executive Service positions is representative of our Nation as a whole. To that end, we have taken several very solid steps recently. We have designated our Management Council as DHS' de facto Diversity Council to provide high level direction, priorities, and support toward enhancing diversity. This Council is composed of diverse, top-level representatives from each Component and is chaired by me. One of the Council's first actions will be to benchmark best practices in the Department in the area of diversity, approve a Department-wide Diversity Strategy, and implement a Diversity Action Plan for FY 2008-2010. Other plans include:

- Conducting a cultural audit to augment employee survey results and baseline our diversity profile;
- Establishing an external Diversity Outreach Forum, whereby interested stakeholders may advise us on our diversity efforts; and
- Designing and deploying Diversity Management and Diversity Awareness training.

Additionally, the Department offers a Senior Executive Service Candidate Development Program (SES CDP). The program is similar to other SES CDP offered by agencies throughout the Federal Government. The program requirements are outlined by the Office of Personnel Management (OPM), which also approves each department's program individually."

The goal of the program is to prepare candidates to be approved for selection into the Senior Executive Service. We currently have two classes:

- Headquarters runs a Department-wide CDP:
 - o 14 participants in 2007
 - o 23 participants in 2008
- Additionally, CBP and TSA are planning their own programs under the auspices of our OPM-approved SES CDP, with review by the Chief Learning Officer. Both programs will commence in 2008.
- The United States Secret Service (USSS) also runs a program that will come under the Department-wide CDP umbrella.
- The CBP, TSA and USSS programs will comply with the provisions of the Department's OPM-approved CDP while targeting the unique requirements of the law enforcement missions.

The program content and process includes:

- Initial assessment against OPM's Executive Core Qualifications (ECQs);
- Orientation;
- Residential programs;
- Coaching and mentoring;
- Rotational assignment (four months long);
- Other developmental activities as required by the outcomes of the initial assessment; and
- Portfolios submitted to OPM for final approval of SES CDP candidates.

All together, these programs over time, will ensure the Department has an enterprise-wide SES Candidate Development Program that meets the Department's succession planning needs and supports the promotion of a representative and diverse workforce into the ranks of the SES.

Financial Management

The 22 agencies that formed DHS brought their financial management issues with them. As a result the Department has had substantial challenges to overcome in its effort to improve its financial management processes. However, to date, we have reduced material weakness component conditions from 25 in 2006 to 16 in 2007. The Chief Financial Officer (CFO) and I are working to make measurable, demonstrable progress in the development and implementation of the following:

- Appropriate systems and processes that ensure clean audit opinions;
- Sound internal controls for financial reporting;
- Timely, accurate, and useful financial data collection for analysis; and
- Efficient financial management services.

Success in these areas rests upon a framework of policies, processes, systems, people and accountability. We have efforts underway in each of these areas. For example, the "Internal Controls Playbook" is a corrective action plan that includes Federal Government best practices for financial management. The

Playbook was approved by Secretary Chertoff and disseminated throughout the Department. Through this Playbook, we are aggressively ensuring that internal audit and control systems are in place to help us achieve the mission and execute the Department's strategy. In executing this effort, we work closely with the Office of the Inspector General. Because of the importance of this effort, the CFO and I brief the Secretary monthly on its status.

As a result of these efforts, for the second consecutive year, the outcome of the independent audit shows significant progress. Our 2007 audit again demonstrates that financial management at DHS has improved dramatically. Consider these highlights:

- We corrected material weakness conditions related to financial management and oversight through a strengthened control environment and bolstered oversight functions with the strong support of the Department's Secretary and Under Secretary for Management;
- TSA received a qualified audit opinion on their FY 2007 Balance Sheet. In addition, ICE sustained FY 2006 progress and eliminated all remaining material weakness conditions. CBP and FLETC obtained an unqualified opinion on all FY 2007 Financial Statements;
- We improved the number of organizations that do not contribute to a Department-wide material weakness from four [USSS, Science and Technology, FLETC & USCIS] to seven from 2006 to 2007. This now includes CBP, ICE, FLETC, USCIS, USSS, US-VISIT, and Science and Technology;
- We reduced the number of Component conditions that contributed to our fiscal year 2007 material weaknesses from 25 to 16;
- We reduced Department-wide audit disclaimer conditions by 40 percent;
- Under the Chief Information Officer's (CIO) leadership, the number of Components contributing to the Department-level information systems security material weakness dropped from six to three; and
- The Secretary provided the Department's first ever assurance statement on the design effectiveness of internal control over financial reporting.

The FY 2007 audit shows our corrective actions are working, and I am particularly encouraged by our efforts to sustain this progress. While significant internal control challenges remain, they are in much more focused areas and we are tackling them in a targeted approach.

The Director of Program Analysis and Evaluation was designated the departmental Performance Improvement Officer. This will bring greater structure, coherence and focus on our performance measurement function, and improve our external reporting requirements and accountability within the Department.

We have developed a strategy to consolidate financial management systems across the Department. Our strategy to yield timely and accurate financial data

includes OMB-compliant accounting lines, the centralization of business processes and robust business intelligence tools to ensure that both our leadership and external stakeholders receive actionable, timely and transparent financial information.

Finally, we are working to ensure the Department's grant program has the necessary internal controls in place, are adhered to, and that funds to State and Local first responders are monitored to achieve success with measurable outcomes.

Information Technology

We continue to address matters within information technology management. Utilizing information technology (IT), the Department has established and institutionalized Department-wide business processes and systems to manage information. For example, the CIO heads the DHS CIO Council, whose membership includes the CIOs from all of DHS' components. The Council works to standardize business practices where it makes sense in order to improve information sharing. These efforts improve Department operations and reduce costs by eliminating duplicative IT systems.

Particular initiatives that have contributed toward improved information management at reduced costs include the following initiatives:

- Consolidation of major networks and systems continues; in FY 2007, we consolidated 100 percent of DHS Headquarters, CBP, ICE, FLETC and USCIS network sites (over 1780 sites) to a single Multiple Protocol Label Switching network allowing DHS transparent monitoring of network performance and activity, prioritization of traffic, vastly improved security posture, and established two DHS enterprise-wide data centers to migrate DHS system operations.
- Established the regulatory framework to ensure the Department CIO has control over Department-wide IT Acquisitions, budgets, and personnel performance. In 2007 we aligned in excess of \$3.2 billion of IT investment to Department priorities.
- Implemented a comprehensive Concept of Operations for the DHS Security Operations Center, including: (1) Incident Reporting and tracking web page, and (2) Privacy incident reporting guide, thereby ensuring that the IT systems are receiving the highest security assurance.

Leveraging Assets and Business Processes

One of the founding principles of the Department is to leverage assets and business processes to provide a nimble and efficient operation that can focus on our mission. We have several efforts underway to streamline our business processes and to make more efficient use of our assets, especially real estate.

Significant efforts are already underway to ensure that all necessary Directives are updated and implemented prior to the close of this fiscal year. Directives are a key component in ensuring consistent application of DHS policy and business practices across the Department.

Records management is vital to ensuring that accurate and reliable information is available to DHS decision-makers. It is an important component of a successful transition, and of DHS' continuity plan. The current records management process is largely paper-based and we are currently planning an electronic records management system. In the meantime, we have updated and established schedules for records retention and disposal and are rolling out training so that all employees understand their responsibilities for records management.

We have developed a Department-wide real property asset management plan and performance measures to guide decision making for effective and efficient use of real estate. We have developed a strategy for collocating appropriate Department activities to enhance mission support and eliminate duplication. One of the first and most critical steps of this strategy is the establishment of a permanent consolidated Headquarters for DHS. This is one of the Secretary's top priorities.

Consolidated Department of Homeland Security Headquarters

Our mission demands an integrated approach to protect our Homeland. Yet, the Department's legacy facilities are dispersed in 40 locations and 70 buildings throughout the National Capital Region (NCR). This dispersal adversely impacts critical communication, coordination, and cooperation across the Department. Moreover, we currently have 40 additional NCR space requests pending with the General Services Administration (GSA) that will further exacerbate the problem. An adequately sized and functionally appropriate consolidated Headquarters will be a monumental step in helping the Department meet the strategic imperative of unifying DHS operationally, administratively, and culturally, as well as remove the physical barriers that impact unity of purpose and effort.

A consolidated DHS Headquarters also has positive resource implications. GSA determined consolidating office space at St. Elizabeth's will result in a significant future cost avoidance, once the project is funded and underway as compared to individually renewing leases. In addition DHS expects to achieve further efficiencies by reducing administrative overhead, eliminating redundancies, and sharing common campus services.

The Department also needs to reduce the total number of locations that house DHS Components within the NCR to as few as possible in order to reduce overall

future costs and inefficiencies due to our geographic dispersion. Consolidating NCR Headquarters mission support functions that do not relocate to St. Elizabeth's has the potential to achieve comparable cost avoidances. The real estate portfolio is currently planned to be reduced to a manageable number of six to eight locations.

I request in the strongest terms that Congress support the Department by authorizing and appropriating funding for DHS' consolidation at St. Elizabeth's West Campus and the efficient realignment of off-campus locations that will follow in future budget years.

Conclusion:

Secretary Chertoff has expressed that one of his primary goals for DHS is to strengthen DHS core management, policy and operational integration. The other four are:

- Protect our Nation from dangerous people;
- Protect the Nation from dangerous cargo and things coming into the country;
- Protect and harden our critical infrastructure; and
- Strengthen our emergency preparedness and response.

While my testimony today focuses on the management area, we have made significant progress in each of the other four mission areas as well. As the Department enters into its next stage of development to transform into an effective, integrated organization, it is important to keep in mind that this process is a marathon, not a sprint. We must develop sustainable, long-term processes which will build capabilities. While we certainly realize the importance of timeliness, we want to be proactive and forward-looking. To do so, we need to get correct systems in place. This takes time, but it is more beneficial, productive, and efficient in the long run. We are building for the future.

Thank you for your leadership and continued support of the Department of Homeland Security and its management programs. I look forward to working together with you in shaping the future and success of DHS with energy and enthusiasm. Thank you for this opportunity to be here today, and I will be pleased to respond to any questions that you may have.